

COMMENT

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April 24, 2002

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Ms. Jean A. Webb
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: NFA Interpretive Notice Regarding Supervision of Automated Order-Routing Systems (67 Fed. Reg. 14701 (Mar. 27, 2002))

Dear Ms. Webb:

I am the Chairman of NFA's Special Committee to Review Technology, which developed NFA's proposed interpretive notice on automated order-routing systems (AORS). I am also the Vice-Chairman of NFA and a Member of its Board of Directors and Executive Committee. I welcome the opportunity to respond to the Commission's request for comments on the referenced interpretive notice. I submit these comments as Chairman of NFA's Special Committee to Review Technology, and my views do not necessarily reflect the views of my employer, Salomon Smith Barney Inc., or any of its affiliates.

The interpretive notice provides guidance with respect to Members' supervisory responsibilities over orders entered through AORS. It was not intended to and, in my view, does not create any new supervisory duties. Rather, it describes ways to comply with existing regulatory requirements, recognizes that different Members have different needs, and gives Members the flexibility to design procedures tailored to their own circumstances. This flexibility also gives Members the ability to take advantage of new and better technology as it is developed.

This project began almost two years ago, when NFA received a July 19, 2000 letter from then Chairman Rainer asking NFA to "consider what further follow-up action would be appropriate to address AORS issues, including security and capacity and controls over customer trading activity." NFA's Board of Directors decided that NFA should prepare guidance on these issues and assigned that task to the Special Committee. The Board of Directors directed the Special Committee to find a middle ground between one-size-fits-all requirements that mandate specific technology and guidelines that are so general as to be meaningless.

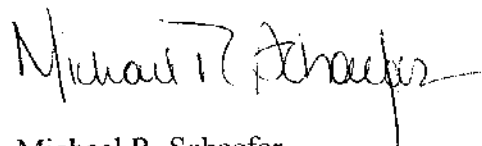
The Special Committee was very interested in receiving input from all segments of the industry and actively worked to include them in the process. To that end, the Special Committee members are a cross-section of the futures industry and include FCMs, exchanges, professional money managers, third-party software developers, vendors of order routing systems and users of the markets. They brought very different interests and views to the discussion, but they all had the same objective – to provide the industry with meaningful, practical guidance without imposing unnecessary burdens. The interpretive notice was a cooperative effort and a consensus result.

Before issuing the interpretive notice, the Special Committee asked for comments from three industry trade groups, from NFA's FCM, IB, and CPO/CTA Advisory Committees, and from the membership in general. It carefully considered all of the comments it received and incorporated a number of those suggestions in the final version of the notice that is now the subject of comment.

Finally, the interpretive notice refers to the WebTrust^{SM/™} Questionnaire developed jointly by the American Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants. The Special Committee felt the questionnaire was a useful tool for Members to use in reviewing their AORS and included it as part of a Member's annual self-assessment. It should be noted however, that the Special Committee also recognized that the questionnaire is fairly lengthy and that many parts of the questionnaire do not apply to AORS. Obviously, Members are not required to review irrelevant sections, nor are they required to actually fill out the questionnaire.

The futures industry needs regulatory guidance on the use of AORS. NFA's interpretive notice provides that guidance in a way that is both meaningful and flexible. Therefore, the Commission should approve the notice.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael R. Schacfer", with a horizontal line extending from the end of the signature.

Michael R. Schacfer
Chairman of NFA's Special
Committee to Review Technology